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William C. Rusnack  
Vice President

November 16, 1988

Brack W. Duker, President  
Montana Aluminum Investors Corp.  
One Wilshire Bldg., Ste. 1220  
624 South Grand Avenue  
Los Angeles, CA 90017

Re: Resolution of Outstanding Issues  
Under Acquisition Agreement of  
September 10, 1985

Dear Brack,

This letter shall evidence the agreement of Atlantic Richfield Company ("ARCO") and Montana Aluminum Investors Corp. ("MAIC") to compromise and settle certain matters which are in dispute between the two companies with respect to operation of the Acquisition Agreement of September 10, 1985 as amended by Amendment No. 1 dated September 17, 1985 (collectively the "Acquisition Agreement") as modified in part by the Agreement of August 15, 1986 ("August 15, 1986 Agreement"). Set forth below are the particular items which have been in dispute and the resolution reached by our companies. Each company agrees that it will not cite or otherwise assert that the form of settlement adopted with respect to any of the matters in dispute shall constitute a precedent or admission concerning the operation of the Acquisition Agreement or August 15, 1986 Agreement with respect to other matters which may come into dispute in the future including, but without limitation to, any future claims for indemnification alleged to be similar in nature or character to any matter settled through this letter. Without either party admitting or conceding the validity of the position of the other with respect to any of the following items, the parties hereby agree as follows:

Atlantic Richfield Company

ARCF00001441

1. Carbon Paste Plant Exhauster (the "Exhauster"). ARCO agrees that it will conduct an investigation in the next month with respect to the Exhauster which was the subject of a July 27, 1988 citation by the Montana Department of Health and Environmental Sciences for alleged violation of A.R.M. 16.8.1404-1 (the "Citation"). If ARCO determines that the Exhauster, as operated at the Closing in 1985, would have been in violation of standards applicable to the Exhauster at that time, that there has been no material change in the operation of the Exhauster and that there has been no degradation of the environmental abatement and other equipment operated in conjunction with the Exhauster, ARCO will reimburse MAIC for half of the total expenses, including fines or charges imposed in conjunction with the Citation, incurred by MAIC in undertaking remedial repairs or modifications necessary to bring the Exhauster into compliance with standards that existed at the Closing in 1985 (but not to meet different or higher standards which may have subsequently been adopted) up to a maximum total expenditure of \$200,000 so that ARCO would pay up to a maximum of \$100,000. MAIC shall be solely responsible for any expenses, charges or fines in excess of the \$200,000 maximum. Subject to the above stated conditions, ARCO shall pay its share of the costs of compliance, up to the maximum \$100,000, within ten business days of receipt of appropriate documentation from MAIC that funds for the repair and modification of the Exhauster have been expended for purposes of abating the alleged opacity violation. MAIC acknowledges that ARCO will not design, direct or participate in any modification program and MAIC shall continue to remain solely responsible for compliance with all environmental, health, safety and other regulations applicable to the operation of the Exhauster. MAIC will defend and hold ARCO harmless against any claims which might be brought by any person with respect to, or arising out of, the modification program for the Exhauster. MAIC further agrees to waive and hereby releases ARCO from any and all claims which MAIC may presently have, or may have in the future, with respect to the Exhauster installation at the Columbia Falls smelter except as provided under this paragraph 1. The payment by ARCO of up to \$100,000 under this paragraph 1 shall fully discharge and satisfy all obligations of ARCO under the Acquisition Agreement, including without limitation

Section 10(a), with regard to the Exhauster, including any further abatement obligations which may at a later date be imposed by any laws or regulations applicable to the operation of the Exhauster.

2. Encapsulation of Asbestos Containing Materials at the Smelter. ARCO agrees that it will pay one half of the total amount of \$310,000 expended by MAIC in the asbestos encapsulation program undertaken by it at the Columbia Falls smelter during the last year and a half. MAIC acknowledges that ARCO did not design, direct or participate in the asbestos encapsulation program and MAIC shall continue to remain solely responsible for compliance with all environmental, health, safety and other regulations applicable to the operation of the Columbia Falls smelter with reference to the presence of asbestos containing materials. MAIC will defend and hold ARCO harmless against any claims which might be brought by any person with respect to, or arising out of, the asbestos encapsulation program. MAIC further agrees to waive and hereby releases ARCO from any and all claims which MAIC may presently have, or may have in the future, with respect to the presence of asbestos containing materials at the Columbia Falls smelter. The payment of \$155,000 shall fully discharge and satisfy all obligations of ARCO under the Acquisition Agreement, including without limitation Section 10(a), with regard to the presence of asbestos containing materials at the smelter, including any repair or removal obligations which may at a later date be imposed by any laws or regulations applicable to the smelter. The provisions of this paragraph 2 shall not, however, act to discharge the obligations of ARCO set forth in paragraph 3 of the August 15, 1986 Agreement which shall remain in full force and effect.
3. Claims With Respect to Survivors' Benefits for Deceased Smelter Employees. MAIC had previously asserted claims for the payment of survivors' benefits for Columbia Falls Aluminum Company ("CFAC") employees who died subsequent to the Acquisition Closing. MAIC hereby withdraws such claims and agrees that CFAC will be responsible for all future survivors' pensions, including the claims previously filed by CFAC.
4. Construction of Paragraph 4 of the August 15, 1986 Agreement. MAIC hereby agrees that, under the August 15, 1986 Agreement, ARCO is only required to pay CFAC for disability pension claims with respect to

disability benefits actually paid through June 30, 1991 or until total payments under paragraph 4 of the August 15, 1986 Agreement have reached \$350,000, whichever shall first occur. In no event shall ARCO be obliged to pay CFAC for disability pension claims with respect to payments made subsequent to June 30, 1991, whether or not the benefits relate to claims which were filed prior to the June 30, 1991 date.

5. ARRCOM Superfund Site, Rathdrum, Idaho. ARCO hereby confirms its obligation under Section 10(a) of the Acquisition Agreement to indemnify MAIC for all damages, losses, and out-of-pocket expenses (including attorneys' fees) which may be asserted with respect to materials, if any, shipped for disposal at the ARRCOM site from the Columbia Falls smelter prior to the September 17, 1985 Closing Date.

This settlement letter relates only to the specific issues set forth herein and does not otherwise eliminate, expand, restrict, modify or amend the Acquisition Agreement or the August 15, 1986 Agreement and, except as specifically set forth herein, the Acquisition Agreement and August 15, 1986 Agreement should be and remain in full force and effect in accordance with their terms. If the foregoing correctly reflects the understanding of our two companies and is acceptable to MAIC, please acknowledge the same by signing and dating a copy of this letter as indicated below.

Very truly yours,

William C. Rusnack

ACCEPTED AND AGREED TO:  
Montana Aluminum Investors Corp.

By:

Brack Duker  
Brack W. Duker, President

Date:

Nov. 16, '88